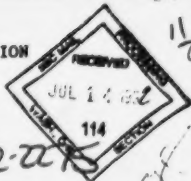


SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q



(Mark One)

☒ [X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: May 31, 1992
OR

☐ [] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 0-15936

Data Med Clinical Support Services, Inc.

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of
incorporation or organization)

41-1546471

(I.R.S. Employer
Identification No.)

2331 University Avenue S.E.

Minneapolis, Minnesota

(Address of principal executive offices)

55414

(Zip Code)

Registrant's telephone number, including area code: (612) 378-3053

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class of Common Stock

Common Stock, par value

\$.01 per share

Outstanding as of July 13, 1992

7,131,700

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DATA MED CLINICAL SUPPORT SERVICES, INC.

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PART I - FINANCIAL INFORMATION
Item 1 - Financial Statements

DATA MED CLINICAL SUPPORT SERVICES, INC.
CONDENSED BALANCE SHEETS

ASSETS	MAY 31, 1992 (Unaudited)	February 29, 1992
Current assets:		
Cash	\$2,018	\$26,884
Trade receivables, less allowance for doubtful accounts of \$10,000 on May 31, 1992 and \$10,000 on February 29, 1992	27,971	21,978
Other receivables	40,000	70,000
Prepaid expenses	14,613	17,968
Other current assets	7,336	6,880
	-----	-----
Total current assets	91,938	143,710
	-----	-----
Property and equipment, at cost (note 2):		
Office and computer equipment	257,764	251,282
Less accumulated depreciation and amortization	(198,408)	(191,579)
	-----	-----
Net property and equipment	59,356	59,703
Purchased computer software net of accumulated amortization of \$9,167 on May 31, 1992 and \$4,567 on February 29, 1992	88,333	92,917
	-----	-----
Total assets	\$239,627	\$296,330
	=====	=====

See accompanying notes to financial statements.

**LIABILITIES AND
STOCKHOLDERS' (DEFICIT) EQUITY**

May 31,
1992
(Unaudited)

February 29,
1992

Current liabilities:

Notes payable to related parties
-current portion (note 3)

\$113,000

Notes payable-current portion (note 3)

Current installments of obligation
under capital lease

9,032

10,183

Accounts payable

151,699

151,511

Deferred revenue-current portion

85,769

110,961

Accrued compensation

71,463

71,508

Accrued commissions

5,437

5,437

Accrued payroll tax

79,175

40,297

Other current liabilities

4,290

3,737

Total current liabilities

430,921

390,534

Notes payable to related parties,
excluding current portion

-

84,000

Obligation under capital lease,
excluding current installments

14,414

15,645

Deferred revenues including current
portion

113,000

127,500

Total long term liabilities

132,414

228,145

Total liabilities

\$563,335

\$618,779

Stockholders' (deficit) equity:

Conv. Registered Stock--\$1.01 par value

Authorized 1,000,000 shares:

675,000 outstanding at May 31, 1992

and February 29, 1992; liquidation

preference of \$121.17 in 1991

\$8,250

\$8,250

Common stock--\$1.01 par value, Authorized

15,000,000 shares; 7,131,700 outstanding

at May 31, 1992 and February 29,

1992 respectively

71,317

71,317

Additional paid-in capital

1,327,706

4,157,765

Accumulated losses

(4,157,991)

(4,207,722)

Total stockholders' (deficit) equity

(124,908)

(722,449)

Total liabilities and

stockholders' (deficit) equity

\$438,427

\$896,330

See accompanying notes to financial statements.

DATA MED CLINICAL SUPPORT SERVICES, INC.
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended May 31,	
	1992	1991
Revenues	\$112,639	\$200,004
Cost of revenues	190,566	130,342
Gross profit (loss)	132,073	69,662
Other operating expenses:		
Research and development	51,105	6,813
Selling and marketing	42,476	33,074
General and administrative	83,701	60,258
Total other operating expenses	177,282	100,145
Income (loss) from operations	45,009	(30,483)
Interest income	38	12
Interest expense	(4,112)	(4,579)
Net income (loss)	(\$52,159)	(\$35,150)
Net income (loss) per share	(\$0.01)	(\$0.00)
Weighted average number of shares outstanding	7,101,700	7,101,700

See accompanying notes to financial statements.

DATA MED CLINICAL SUPPORT SERVICES, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	Three months ended May 31,	
	1992	1991
Cash flows from operating activities:		
Net loss	(\$52,159)	(\$35,150)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Depreciation	5,830	5,004
Amortization	4,583	-
Provision for losses on accounts receivable	-	-
Decrease(increase) in trade receivables	(5,992)	34,992
Increase in other receivables	30,000	-
Decrease(increase) in prepaid expenses	1,355	(3,552)
Decrease(increase) in other current assets	452	(368)
Increase(decrease) in accounts payable	188	2,740
Increase(decrease) in deferred revenue	(33,692)	(45,063)
Increase(decrease) in accrued compensation	1,953	6,039
Increase(decrease) in accrued commissions	2,966	(11,485)
Increase(decrease) in other current liab.	(1,509)	-
Other	-	(241)
Total adjustments	9,157	(6,975)
Cash provided by (used in) operating activities	(44,002)	(42,065)
Cash flows from investing activities:		
Capital expenditures	(6,463)	(1,342)
Cash flows used in investing activities	(6,463)	(1,342)
Cash flows from financing activities:		
Financing payments under capital lease obligations	(3,561)	(3,157)
Repayment of bank loans	-	(521)
Loans from related parties	50,000	25,000
Payments to related parties	(41,000)	-
Cash flows provided by (used in) financing activities	12,519	21,322
Increase (decrease) in cash and cash equivalents	(37,946)	(22,085)
Cash and cash equivalents at beginning of period	25,884	25,953
Cash and cash equivalents at end of period	2,019	3,840
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	6,988	4,679

DATA MED CLINICAL SUPPORT SERVICES, INC.

Notes to Financial Statements

May 31, 1992

(1) Unaudited Financial Statements

The unaudited financial statements presented herein do not include all of the information and note disclosures required by generally accepted accounting principles. These statements should be read in conjunction with the financial statements and notes thereto included in the Company's Form 10-K for the year ended February 29, 1992. In the opinion of management such financial statements include all adjustments, consisting of only normal recurring adjustments, necessary to summarize fairly the Company's financial position and results of operations. The results of the three month period ended May 31, 1992, may not be indicative of the results that may be expected for the year ending February 28, 1993.

(2) Property and Equipment

Property and equipment consists of the following:

Property under capitalized leases	\$ 78,678
Furniture and equipment	<u>179,086</u>
	<u>\$257,764</u>

(3) Notes Payable

Notes Payable to related parties at May 31, 1992 consist of notes totaling \$113,000 bearing interest at 12% per annum. These notes are payable March 30, 1993. On January 17, 1992, notes payable to related parties totaling \$94,000 were extended and are now due March 30, 1993. The company issued warrants to purchase 50,000 shares of Common Stock at \$0.25 in consideration for the extension of the due date of these notes.

Item 2. - Management's Discussion and Analysis of Financial Conditions and Results of Operations

Results of Operations

For the First Quarter Ended May 31, 1992 compared with the First Quarter Ended May 31, 1991:

Revenue. Revenue for the first quarter ended May 31, 1992, increased \$112,635 or 56%, when compared to the prior year period. Revenues for the current period were primarily from the Company's Pharmacokinetics and Nutritional Assessment Services, and licensing of the Company's Assurance Long-Term Care System™ and Assurance Homecare System™.

Increased revenue, when compared to the prior year period, was due to increased licensing revenue from the Company's Assurance Long-Term Care System™, sales of the Assurance Homecare Manager™ to OPTION CARE, Inc. and associated training revenue. Licensing revenue from the Company's Pharmacokinetics and Nutritional Assessment Services decreased by approximately 24%, partially offsetting the increases in licensing and training revenue. Revenue for ongoing software support fees from all of the Company's products increased by approximately 20.7%. The Company focus' the majority of its sales and marketing efforts on the Assurance Long-Term Care System™. New government regulations which went into effect October 1, 1990, as well as additional regulations which went into effect October 1, 1991 have increased extensively the clinical documentation requirements for Long-Term Care facilities.

The effects of inflation on the Company's revenue and operating results were not significant.

Costs and Expenses. Total costs and expenses incurred during the quarter ended May 31, 1992, including interest, increased by approximately 55.1% when compared to the prior year period. Compensation and benefits increased 29.8% from the previous year. Additional support staff have been added to handle additional client training and support needs. Expenses paid for outside consultants increased by approximately 66.9% when compared to the prior year period, as the Company utilized their services for developing additional modules for the Company's Assurance Long-Term Care System™ and Phase 2 development of the OPTION CARE Homecare system rather than hire permanent programming staff. Administrative expenses, such as postage, office supplies, occupancy costs, and telephone expense increased by approximately 49.3% due to the hiring of additional support staff and an increased customer base requiring support help. Travel expenses increased by 179% when compared to the prior year period. This increase was attributable additional staff members attending national trade shows and travel associated with client support,

training and equipment installation needs and increased direct sales contacts. Selling and marketing expenses also increased during the current year period by approximately 61.8% when compared to the prior year period. Increased selling and marketing costs were due primarily to the need for new marketing materials and trade show materials associated with the a new advertising and marketing campaign for the Assurance Long-Term Care SystemTM which was initiated in the first quarter of the current fiscal year.

Interest expense increased by 49.3%. This was due primarily to the increased borrowing needs of the Company related to its shortage of working capital. During the current year period the Company borrowed \$29,000 from a related party. In the prior year period loan balances due to related parties totaled \$41,000 less than the current period.

Liquidity and Financial Condition

Working Capital. The Company had a working capital deficit of (\$388,883) at May 31, 1992, compared to a deficit of (\$246,924) at February 29, 1992. This decrease in working capital can be attributed primarily to the loss sustained by the Company in the first three months of the current fiscal year and \$84,000 in long term notes payable to related parties changing to a current year liability as of May 31, 1992.

During the first three months of this fiscal year, the company has received the proceeds of \$50,000 in notes issued to its president. This has partially mitigated the Company's negative working capital position. The Company's working capital position remains quite serious.

The Company's ability to continue operating will ultimately depend on strong sales performances of the FOCIS project with OPTION CARE and the Company's Assurance Long-Term Care System™.

Additional Capital Requirements. Management believes that the Company may require additional financing of up to \$150,000 during the balance of fiscal 1993 if sales expectations are not met. Management believes that the Company will be able to meet its short term cash needs for 1993 without any external financing or cost reductions.

Notes payable to related parties formerly due March 30, 1992, have been extended to March 30, 1993.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Data Med Clinical Support Services, Inc.
(registrant)

Date: July 13, 1992

By: William A. Peter, Jr.
William A. Peter, Jr.
President, CEO

Date: July 13, 1992

By: Russell Jackson
Russell Jackson
Chief Financial Officer and
Principal Financial Officer